

MILLENNIUM CHALLENGE ACCOUNT – INDICATOR DESCRIPTIONS

This document provides detailed descriptions of the indicators the Millennium Challenge Corporation (MCC) uses to evaluate performance against the Millennium Challenge Account (MCA) policy criteria. This document outlines what the indicators measure, the indicator methodology, and the underlying source of data, if applicable. MCC favors indicators that: (1) are developed by an independent third party, (2) utilize objective and high-quality data, (3) are analytically rigorous and publicly available, (4) have broad country-coverage and are comparable across countries, (5) have a clear theoretical or empirical link to economic growth and poverty reduction, (6) are policy-linked, i.e. measure factors that governments can influence within a two to three year horizon, and (7) have broad consistency in results from year to year.

For general questions about the application of these indicators, please contact the MCC's Development Policy Team at DevelopmentPolicy@mcc.gov.

RULING JUSTLY CATEGORY: There are six indicators in this category which measure just and democratic governance, including a country's demonstrated commitment to promote political pluralism, equality, and the rule of law, respect human and civil rights, including the rights of people with disabilities, protect private property rights, encourage transparency and accountability of government; and combat corruption.

Civil Liberties: This indicator measures country performance on freedom of expression and belief, association and organizational rights, rule of law and human rights, personal autonomy, individual and economic rights and the independence of the judiciary.

Countries are rated on the following factors:

- independence of the media and the judiciary;
- freedom of cultural expression, religious institutions and expression, and academia;
- freedom of assembly and demonstration, of political organization and professional organization and collective bargaining;
- freedom from economic exploitation;
- protection from police terror, unjustified imprisonment, exile, and torture;
- the existence of rule of law, personal property rights, and equal treatment under the law;
- freedom from indoctrination and excessive dependency on the state; and
- gender equality, equality of opportunity and freedom to travel, reside, work, marry, and determine whether or how many children to have.

Source: Freedom House, <http://freedomhouse.org>; Questions regarding this indicator may be directed to Christopher Walker, Director of Studies, (212) 514-8040.

Methodology: Freedom House convenes a panel of independent experts to evaluate countries on 15 survey questions rating them using a seven-point scale – with 1 representing “most free” and 7 representing “least free.”

Political Rights: This indicator measures country performance on the quality of the electoral process, political pluralism and participation, government corruption and transparency, and fair political treatment of ethnic groups.

Countries are rated on the prevalence of free and fair elections of officials with real power; the ability of citizens to form political parties that may compete fairly in elections; freedom from domination by the military, foreign powers, totalitarian parties, religious hierarchies and economic oligarchies; and the political rights of minority groups. Countries are rated on the following factors:

- free and fair executive and legislative elections; fair polling; honest tabulation of ballots
- fair electoral laws; equal campaigning opportunities;
- the right to organize in different political parties and political groupings; the openness of the political system to the rise and fall of competing political parties and groupings;
- the existence of a significant opposition vote; the existence of a de facto opposition power, and a realistic possibility for the opposition to increase its support or gain power through elections;
- self-determination, self-government, autonomy, and the participation of minority groups through informal consensus in the decision-making process;
- freedom from domination by the military, foreign powers, totalitarian parties, religious hierarchies, economic oligarchies, or any other powerful group in making personal political choices;
- the openness, transparency, and accountability of the government to its constituents between elections; freedom from pervasive government corruption; government policies that reflect the will of the people; and
- the extent to which a government deliberately changes the country's ethnic composition to affect the political balance of power.

Source: Freedom House, <http://freedomhouse.org>; Questions regarding this indicator may be directed to Christopher Walker, Director of Studies, (212) 514-8040.

Methodology: Freedom House convenes a panel of independent experts to evaluate countries on 10 survey questions rating them using a seven-point scale – with 1 representing “most free” and 7 representing “least free.”

Voice and Accountability: This indicator measures country performance on the ability of institutions to protect civil liberties, the extent to which citizens of a country are able to participate in the selection of governments, and the independence of the media.

Countries are evaluated on the following factors:

- orderly transfer of power in government; free and fair elections, political competition and party configuration; political participation;
- fairness and transparency of legal system, freedom of speech, religion, assembly and demonstration; independence and credibility of the electoral process; political party freedom/security; power distribution;
- equal opportunity; respect for minorities; human rights; political and social integration;
- “representativeness” and effectiveness of legislature; extent of trust in legislature/government; military involvement in politics; independence and quality of media;
- responsiveness of the government to its constituents; satisfaction with democracy;
- transparency of the business environment and government actions; extent to which businesses are informed of developments in rules and policies and can express concerns;
- strength of volunteerism, trade unionism, and professional associations;
- institutional stability; institutional effectiveness/accountability; and
- budget transparency

Source: World Bank Institute (WBI), <http://www.worldbank.org/wbi/governance/govdata/>.

Methodology: The index is constructed from up to 20 different polls and surveys, depending on availability in countries, each of which receives a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit’s *Country Risk Service*, the *Afrobarometer Survey*, the *Latinobarometro survey*, Columbia University’s *State Capacity Project*, Freedom House’s *Freedom in the World*, *Nations in Transition* report, and *Countries at the Crossroads*, World Economic Forum’s *Global Competitiveness Report*, Gallup International’s *Voice of the People Survey* and *Gallup Millennium Survey*, Institute for Management and Development’s *World Competitiveness Yearbook*, the State Department and Amnesty International’s *Human Rights Report*, World Markets Online Poll, Political Risk Service’s *International Country Risk Guide*, Reporters Without Borders poll data, Bertelsmann Foundation’s *Bertelsmann Transformation Index*, *Furnar’s Index of Budget Transparency*, International Research and Exchange Board’s *Media Index*, United Nation’s Economic Commission for Africa’s *Africa Governance Indicators*, and USAID/Vanderbilt University’s Democracy Surveys.

Government Effectiveness: This indicator measures country performance on the quality of public service provision, civil services’ competency and independence from political pressures, and the government’s ability to plan and implement sound policies.

Countries are evaluated on the following factors:

- efficacy of the government; the depth of bureaucratic procedures; the quality of government personnel; government instability; bureaucratic insulation from political influences; the existence and implementation of rules that punish errant behavior;

- decentralization; bureaucratic delay; transparency; competence of government; effectiveness in state structure; global e-governance index;
- general condition of roads; efficiency of mail delivery; quality of public health care provision; effective use of resources;
- proportion of the country's problems it is perceived government can solve; credibility of government's commitment to policies; policies to improve efficiency of the public sector;
- predictability of rule and law changes; officials vis-à-vis private sector individuals; effective implementation of government decisions; policy consistency;
- budget management; efficiency of public expenditure; management of public debt; competence of civil service; wasteful government expenditure; and
- consensus building; reliable pursuit of goals; whether government commitments are honored by new governments.

Source: World Bank Institute (WBI), <http://www.worldbank.org/wbi/governance/govdata/>.

Methodology: An index of up to 19 different polls and surveys, depending on availability, that rates countries, which receive a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service*, the *Afrobarometer Survey*, the *Latinobarometro survey*, Columbia University's *State Capacity Project*, Global Insight's *Country Risk Review*, *World Markets Online Poll*, Political Risk Service's *International Country Risk Guide*, the World Bank's *Business Environment and Enterprise Performance Survey*, BERI's *Business Risk Service*, Freedom House's *Nations in Transition* report, World Economic Forum's *Global Competitiveness Report*, the World Bank's *Country Policy and Institutional Assessment*, and Institute for Management and Development's *World Competitiveness Yearbook*, the Asian Development Bank's *Country Policy and Institutional Assessment*, the African Development Bank's *Country Policy and Institutional Assessment*, Bertelsmann Foundation's *Bertelsmann Transformation Index*, Brown University's Center for Public Policy's *Global E-Governance Index*, Merchant International Group's *Grey Area Dynamics*, and the United Nation's Economic Commission for Africa's *Africa Governance Indicators*.

Rule of Law: This indicator measures country performance on the extent to which the public has confidence in and abides by rules of society, incidence of violent and nonviolent crime, effectiveness and predictability of the judiciary, and the enforceability of contracts.

Countries are evaluated on the evaluated on the following factors:

- crime losses and costs; how often an individual or family member has feared crime organized crime; foreign kidnappings; the effectiveness of the police in safeguarding personal safety; a tradition of law and order; trust in police;
- private contract enforceability; government contract enforceability;
- banking corruption; the extent of the black market; the extent of tax evasion;
- security of property rights; protection of intellectual property; and

- predictability of the judiciary; compliance with court rulings; trust in the courts—tribunals and supreme; judiciary’s effectiveness; legal recourse for challenging government actions; ability to sue government through independent and impartial courts; willingness of citizens to accept legal adjudication over physical and illegal measures.

Source: World Bank Institute (WBI), <http://www.worldbank.org/wbi/governance/govdata/>.

Methodology: An index of surveys up to 22 different polls and surveys, depending on availability, each of which receives a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit’s *Country Risk Service*, Heritage Foundation’s *Index of Economic Freedom*, State Department/Amnesty International’s *Human Rights Report*, Columbia University’s *State Capacity Project*, Global Insight’s *Country Risk Review*, *World Markets Online Poll*, Political Risk Service’s *International Country Risk Guide*, the World Bank’s *Business Environment and Enterprise Performance Survey*, Freedom House’s *Nations in Transition* report and *Countries at the Crossroads*, BERI’s *Business Risk Service* and *Qualitative Risk Measure*, Gallup’s *Voice of the People Survey*, World Economic Forum’s *Global Competitiveness Report*, the World Bank’s *Country Policy and Institutional Assessment*, and Institute for Management and Development’s *World Competitiveness Yearbook* and the Asian Development Bank’s *Country Policy and Institutional Assessment*, the African Development Bank’s *Country Policy and Institutional Assessment*, Bertelsmann Foundation’s *Bertelsmann Transformation Index*, Merchant International Group’s *Grey Area Dynamics*, United Nation’s Economic Commission for Africa’s *Africa Governance Indicators*, and USAID/Vanderbilt University’s Democracy Surveys.

Control of Corruption: This indicator measures country performance on the frequency of “additional payments to get things done,” the effects of corruption on the business environment, “grand corruption” in the political arena and the tendency of elites to engage in “state capture.”

Countries are evaluated on the following factors:

- corruption among public officials;
- frequency of corruption; the effect of corruption on the “attractiveness” of a country as a place to do business: irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection, and loan applications;
- frequency of “irregular payments” to public officials; corruption as an obstacle to business development; improper practices in public sphere; percentage bribes paid as share of revenues from procurement contracts; how many elected and government and border officials, judges or magistrates are thought to be involved in corruption; and
- how well the current government is handling corruption; anti-corruption policies; existence of anti corruption and accounting institutions; civil service transparency and accountability.

Source: World Bank Institute (WBI), <http://www.worldbank.org/wbi/governance/govdata/>.

Methodology: An index of up to 21 different polls and surveys, depending on availability, each of which receive a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service*, the *Afrobarometer Survey*, the *Latinobarometro survey*, Columbia University's *State Capacity Project*, Global Insight's *Country Risk Review*, *World Markets Online Poll*, Business Environment Risk Intelligence's *Business Risk Service* and *Qualitative Risk Measure*, Political Risk Service's *International Country Risk Guide*, the World Bank's *Business Environment and Enterprise Performance Survey*, Freedom House's *Nations in Transition* report and *Countries at the Crossroads*, World Economic Forum's *Global Competitiveness Report*, the World Bank's *Country Policy and Institutional Assessment*, and Institute for Management and Development's *World Competitiveness Yearbook*, the Asian Development Bank's *Country Policy and Institutional Assessment*, the African Development Bank's *Country Policy and Institutional Assessment*, Merchant International Group's *Grey Area Dynamics*, Political Economic Risk Consultancy's *Corruption in Asia*, United Nation's Economic Commission for Africa's *Africa Governance Indicators*, and USAID/Vanderbilt University's Democracy Surveys.

ENCOURAGING ECONOMIC FREEDOM: There are six indicators in this category which measures the extent to which a government encourages economic freedom, including a demonstrated commitment to economic policies that encourage individuals and firms to participate in global trade and international capital markets, promote private sector growth and the sustainable management of natural resources, strengthen market forces in the economy, and respect worker rights, including the right to form labor unions.

Regulatory Quality: This indicator measures country performance on the burden of regulations on business, price controls, the government's role in the economy, foreign investment regulation and many other areas.

Countries are evaluated on the following factors:

- regulations that impose a burden on business; government intervention in the economy;
- ease to start a new business; regulations on new businesses;
- labor market policies; wage and price controls;
- trade policy; tariff and non-tariff barriers; export and import regulations; the effect of customs on international trade;
- investment policies attractiveness; financial regulations on foreign investment and capital; legal restrictions on ownership of business and equity by non-residents; foreign currency regulations; general uncertainty about regulation costs; legal regulation of financial institutions; controls on foreign investors' ownership of companies;
- extensiveness of legal rules and effectiveness of legal regulations in the banking and securities sectors; costs of uncertain rules, laws, or government policies;

- protection of domestic banks from foreign competition; barriers to entry in the banking sector; heavily-regulated interest rates; transfer costs associated with exporting capital; price stability;
- participation of the private sector in infrastructure projects; dominance of state-owned enterprises; openness of public sector contracts to foreign investors; extent of market competition; effectiveness of anti-trust policies; new legislation restricting competitiveness; and
- tax systems that undermine business competitiveness; pro-investment tax policies; tax system efficiency/corruption/ complexity; real personal and corporate taxes.

Source: World Bank Institute (WBI), <http://www.worldbank.org/wbi/governance/govdata/>.

Methodology: An index of surveys up to 15 different polls and surveys, depending on availability, each of which receives a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service*, the European Bank for Reconstruction and Development's *Transition Report*, Global Insight's *Country Risk Review*, *World Markets Online Poll*, Political Risk Service's *International Country Risk Guide*, the World Bank's *Business Environment and Enterprise Performance Survey*, Heritage Foundation's *Index of Economic Freedom*, World Economic Forum's *Global Competitiveness Report*, the World Bank's *Country Policy and Institutional Assessment*, Institute for Management and Development's *World Competitiveness Yearbook*, the Asian Development Bank's *Country Policy and Institutional Assessment*, the African Development Bank's *Country Policy and Institutional Assessment*, Bertelsmann Foundation's *Bertelsmann Transformation Index*, Merchant International Group's *Grey Area Dynamics*, and the United Nation's Economic Commission for Africa's *Africa Governance Indicators*.

Inflation: This indicator measures the government's commitment to sound monetary policy and private sector growth.

Source: MCC's primary source for inflation data is the IMF's International Financial Statistics (IFS); <http://www.imf.org>. In the absence of IFS inflation data, MCC currently uses annual inflation data reported in the World Economic Outlook (WEO) database.

Methodology: The most recent 12 month change in consumer prices. Data are cross-checked with other sources and made publicly available to try to ensure consistency across countries.

Fiscal Policy: This indicator measures the government's commitment to prudent fiscal management and private sector growth.

Source: U.S. Embassies typically collect fiscal policy data through a Candidate Country's Ministry of Finance. All of these data were then cross-checked with IMF sources – in particular, the World Economic Outlook (WEO) – to ensure their accuracy; <http://www.imf.org>.

Methodology: The overall budget deficit divided by GDP, averaged over a three-year period. The data for this measure are provided directly by the recipient government and cross checked with other sources and made publicly available to try to ensure consistency across countries.

Days to Starting a Business: This indicator measures government regulations that impact the business climate, specifically the number of days necessary to start a new business.

Source: The Private Sector Advisory Service of the World Bank Group, <http://www.doingbusiness.org/>. Questions regarding this indicator may be directed to Simeon Djankov, Manager of the Monitoring, Analysis and Policy Unit at the International Finance Corporation, sdjankov@worldbank.org, (202) 473-4748.

Methodology: Local lawyers and other professionals examine specific regulations that impact business investment measuring the days it takes to open a new business, recorded in calendar days. It is assumed that the minimum time required per procedures is 1 day. Time captures the median duration that incorporation lawyers indicate is necessary to complete a procedure. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning.

To make the data comparable across countries, several assumptions about the business and the procedures are used. The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the most popular limited liability form among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office;
- Operates in the country's most populous city;
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity;
- Has start-up capital of 10 times income per capita at the end of 2004, paid in cash;
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes;
- Leases the commercial plant and offices and is not a proprietor of real estate;
- Does not qualify for investment incentives or any special benefits;
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals;
- Has a turnover at least 100 times income per capita; and
- Has a company deed 10 pages long.

Cost of Starting a Business: This indicator measures government regulations that impact the business climate, specifically the cost of starting a new business.

Source: The Private Sector Advisory Service of the World Bank Group, <http://www.doingbusiness.org/>. Questions regarding this indicator may be directed to Simeon Djankov, Manager of the Monitoring, Analysis and Policy Unit at the International Finance Corporation, sdjankov@worldbank.org, (202) 473-4748.

Methodology: Local lawyers and other professionals examine specific regulations that impact the cost of opening a new business. The local lawyer and/or other professionals are instructed to record all generic procedures that are officially required for an entrepreneur to start up an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions with relevant authorities. After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures, time, cost and paid-in minimum capital requirements is developed. Subsequently, local incorporation lawyers and government officials complete and verify the data on applicable procedures, the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital. On average 4 law firms participate in each country. Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all government and non-government agencies involved in the start-up process function efficiently and without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used. The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the most popular limited liability form among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office;
- Operates in the country's most populous city;
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity;
- Has start-up capital of 10 times income per capita at the end of 2004, paid in cash;
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes;
- Leases the commercial plant and offices and is not a proprietor of real estate;
- Does not qualify for investment incentives or any special benefits;
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals;
- Has a turnover at least 100 times income per capita; and
- Has a company deed 10 pages long.

The text of the company law, the commercial code and specific regulations and fee schedules are used as sources for calculating the cost of start-up. If there are conflicting sources and the laws are not clear, the most authoritative source is used. The constitution supersedes the company law, and the law prevails over regulations and decrees. If conflicting sources are of the same rank, the source indicating the most costly procedure is used, since an entrepreneur never second-guesses a government official. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Trade Policy: This indicator measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade.

Countries are rated on the following factors:

- Weighted average tariff rates
- Non-tariff barriers (including Non-tariff barriers include import licenses, trade quotas, production subsidies, anti-dumping, countervailing, and safeguard measures, government procurement procedures, local content requirements, excessive marking and labeling requirements, export assistance, export taxes, and tax concessions)
- Corruption in the customs service

The 5-point grading scale is as follows:

Score	Levels of Protectionism	Criteria
1	Very low	Weighted average tariff rate less than or equal to 2.5%
1.5	Low	Weighted average tariff rate greater than 2.5% but less than or equal to 5 %
2	Low	Weighted average tariff rate greater than 5% but less than or equal to 7.5%
2.5	Moderate	Weighted average tariff rate greater than 7.5% but less than or equal to 10%
3	Moderate	Weighted average tariff rate greater than 10% but less than or equal to 12.5%
3.5	High	Weighted average tariff rate greater than 12.5% but less than or equal to 15%
4	High	Weighted average tariff rate greater than 15% but less than or equal to 17.5%
4.5	Very high	Weighted average tariff rate greater than 17.5% but less than or equal to 20%
5	Very high	Weighted average tariff rate greater than 20%

Where there is evidence that non-tariff barriers or corruption within the customs service create a significant impediment to trade, the Heritage Foundation adds an additional point to country scores.

Source: The Heritage Foundation, Index of Economic Freedom.
<http://www.heritage.org/research/features/index/index.cfm>

Methodology: As its primary source, the Heritage Foundation relies on weighted average tariff rates (weighted by imports from the country's trading partners) from the World Bank's *World Development Indicators 2004* and *Data on Trade and Import Barriers: Trends in Average Tariff Rates for Developing and Industrial Countries 1981-2003*. Since these data are not reported annually, the authors also rely on a number of secondary sources, including the World Trade Organization's *Trade Policy Reviews*, the Office of the U.S. Trade Representative's *2004 National Trade Estimate Report on Foreign Trade Barriers*, the U.S. Department of Commerce's 2003 and 2004 *Country Commercial Guide*, the Economist Intelligence Unit's 2003-2004 and 2004-2005 *Country Reports*, *Country Profiles*, and *Country Commerce* data, and "official government publications of each country." In the absence of weighted average tariff rate data, a country's applied average tariff rate is used. In the absence of applied average tariff rate data, (weighted or the simple) average most favored nation tariff rates are used. In the absence of these data, the authors use tariff and duty revenues as a percentage of total imported goods. Finally, if these data are unavailable, the authors rely on measures of international trade taxes. The Heritage Foundation also assigns countries an additional point on their five-point scale if a) non-tariff barriers "exist in sufficient quantity," or b) if there is evidence of corruption in the customs service.

INVESTING IN PEOPLE: There are four indicators in this category which measures investments in the people of such country, particularly women and children, including programs that promote broad-based primary education, strengthen and build capacity to provide quality public health and reduce child mortality.

Total Public Expenditure on Health: This indicator measures the government's commitment to investing in the health and well-being of its people.

Source: MCC primarily relies on Health data reported by national governments. In the data request to Candidate Countries, MCC requests inclusion of all government expenditures, including sub-national expenditures (both current and capital) and the consolidated public sector (i.e. state-owned enterprises and semi-autonomous institutions), but exclusion of donor funds unless it is not possible to disaggregate them. All data are requested in current local currency (not a constant base year, not dollars). In the absence of country-reported data, MCC relies on expenditure data from the World Bank's *World Development Indicators*. Questions may be directed to Brad Parks, Development Policy Officer at the Millennium Challenge Corporation, parksbc@mcc.gov, (202) 521-3613.

Methodology: Health expenditures are measured consistent with the IMF definition contained in *Government Finance Statistics* (GFS Line 707). Government outlays on health include expenditures on services provided to individual persons and services provided on a collective basis. Government outlays on health include expenditures on medical products, appliances, and equipment; general medical services, specialized medical services, dental services, and paramedical services; general hospital services, specialized hospital services, medical and maternity center services, nursing and convalescent services; the administration, inspection, operation or support of public health services such as blood-bank operation (collecting, processing, storing, shipping), disease detection (cancer, tuberculosis, venereal disease), prevention (immunization, inoculation), monitoring (infant nutrition, child health), epidemiological data collection, family planning services and so forth; research and development on health; the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall health policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of health services, including the licensing of medical establishments and medical and paramedical personnel; production and dissemination of general information, technical documentation and statistics on health.

Total Public Expenditure on Primary Education: This indicator measures the government's commitment to investing in primary education.

Source: MCC primarily relies on Primary Education Expenditure data reported by national governments. In the data request to Candidate Countries, MCC requests inclusion of all government expenditures, including sub-national expenditures (both current and capital) and the consolidated public sector (i.e. state-owned enterprises and semi-autonomous institutions), but exclusion of donor funds unless it is not possible to disaggregate them. All data are requested in current local currency (not a constant base year, not dollars). In the absence of country-reported data, MCC relies on expenditure data from the World Bank's *World Development Indicators*. Questions regarding this indicator may be directed to Brad Parks, Development Policy Officer at the Millennium Challenge Corporation, parksbc@mcc.gov, (202) 521-3613.

Methodology: Primary education expenditures are measured consistent with the IMF definition in *Government Finance Statistics* (GFS Line 707), which in turn relies on the 1997 International Standard Classification of Education (ISCED-97). Government outlays on primary education include expenditures on services provided to individual pupils and students and expenditures on services provided on a collective basis. Primary education includes the administration, inspection, operation or support of schools and other institutions providing primary education at ISCED-97 level 1. It also includes literacy programs for students too old for primary school.

Immunization: This indicator measures a government's commitment to providing essential public health services and reducing child mortality.

Source: The World Health Organization compiles data on immunization rates for nearly all member countries; www.who.int/immunization_monitoring/data/.

Methodology: MCC uses the average of DPT3 and measles immunization rates for the most recent year available. The DTP3 immunization rate is measured as the number of children that have received their third dose of diphtheria, tetanus toxoid, and pertussis vaccine divided by the number of children that have survived their first birthday. The measles immunization rate is measured as the number of children that have received their first dose of measles vaccine divided by the number of children that have survived their first birthday.

Girls' Primary Education Completion Rate: This indicator measures a government's commitment to investing in basic education for girls in terms of access/enrollment and retention.

Source: The World Bank's Education Group of Human Development Network and Development Data Group, UNESCO's Institute for Statistics (UIS), and the OECD provide these data through the *EdStats* database; <http://www1.worldbank.org/education/edstats/>.

Methodology: Girls' Primary Education Completion Rate is measured as the number of female students that have successfully completed their last year of primary school divided by the total number of female children of official graduation age.